



CIO believes the metaverse evolution will support digital advertising's growth over the next decade. (UBS)

Monetizing the metaverse: Advertising

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The UBS Chief Investment Office (CIO) takes a look at how advertising will likely play a crucial role in monetizing the metaverse.

Monetization in the media and entertainment industry has come in many forms, and new strategies will likely evolve with the emergence of the metaverse. We have written previously on NFTs, virtual real estate, gaming, and fashion trends relating to the topic, but there is one strategy currently leading the way: advertising. Meta Platforms' recently announced partnership with technology company VNTANA to create 3D ads signals the path and importance of advertising in the metaverse.

Advertising funds the internet we rely on daily. With the metaverse representing the next iteration of the internet, we believe advertising will continue to play a major role, especially during the development stage. We have stated previously in our report [Lets get meta...an early introduction to the metaverse\(s\)](#) (published 24 November 2021) that the true emergence of a metaverse is still multiple years away. However, there are a number of different metaverse-adjacent platforms being used today, and we are already seeing advertising playing a role.

So far, monetization in virtual worlds has focused on digital replicas of real world products. Custom sneakers, luxury purses, and superhero avatars all serve the purpose of building recognition and growing engagement.

Consumer companies such as Nike and Vans created NikeLand and Vans World in Roblox for users to share experiences in custom gear. NFT Plazas offers brands the opportunity to advertise in Decentraland. Batman and Venom Fortnite "skins" were available leading up to the movies' openings.

Looking ahead, patents filed by Meta Platforms are a clear signal that ad-sponsored content will be a focal point in its metaverse monetization strategy. We expect advertisers to follow historical norms in the metaverse by using ad spending to subsidize content creation, effectively trading content for attention. Digital advertising makes up just over 60% of

total global advertising spend and will likely make up three-quarters of total ad spend within five years. We believe the metaverse evolution will support digital advertising's growth over the next decade. Furthermore, we don't believe there will be just one metaverse. There will likely be multiple metaverses, which will expand the advertising opportunity, in our view.

A glaring issue that hangs over advertising, and more general metaverse monetization, is measurement and regulation. Due to virtual-world advertising being relatively new, tracking mechanisms have not yet been created. Companies are utilizing engagement as an indicator, but we expect the process to rapidly evolve given the focus from major ad spenders.

Additionally, there are major regulatory questions that need to be addressed in relation to the metaverse, with many issues flying under the radar due to the infancy stage we are in. Regulatory concerns will be heightened in the metaverse, where privacy plays an even larger role.

Ultimately, we see the metaverse as a new form of media and entertainment. The delivery model may change just as it has in the past—our parents and grandparents watched broadcast TV using rabbit ears; many of us grew up watching cable; and we have all moved on to streaming video. The constant through all of this change is advertising-supported media. The old truism that “advertising follows eyeballs” will likely still be true in the virtual world.

Read the original blog [Monetizing the metaverse: Advertising](#) 29 March 2022.

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